Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of this revision to ASOP No. 3, *Continuing Care Retirement Communities*, was issued in December 2006 with a comment deadline of April 30, 2007. Eight comment letters were received, some of which may have been submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term "commentator" may refer to more than one person associated with a particular comment letter. The Task Force to Revise ASOP No. 3 carefully considered all comments received, and the Health Committee and the ASB reviewed (and modified, where appropriate) the proposed changes to the ASOP. Summarized below are the significant issues and questions contained in the comment letters and the responses to each. The term "reviewers" includes the task force, the Health Committee, and the ASB. Unless otherwise noted, the section numbers and titles used below refer to those in the final revised ASOP.

GENERAL COMMENTS	
Comment	One commentator questioned the appropriateness of having a small group develop an ASOP with the risk that an ASOP can be shaped to benefit special interests without regard to the larger public good, and that all interests impacted by the results of actuarial practice in the area (such as the residents of a CCRC) be represented in the formulation of those standards.
Response	The purpose of the ASOP is to provide guidance to actuaries practicing in the CCRC environment and the reviewers believe that the exposure process provides ample opportunity for peer review of the standards being proposed. Anyone, including all members of the public, is permitted to comment on any standard. All comments received by the comment deadline are posted online and available for anyone to review until the ASOP is finalized.
Comment	One commentator suggested putting more emphasis on principles and less on prescription and adding phrasing to the ASOP sufficient to allow actuaries to respond to situations they may confront which call for actuarial judgment beyond what is indicated in the ASOP.
Response	The reviewers believe that the ASOP provides adequate flexibility for actuarial judgment and made no change.
Comment	One commentator suggested there be a discussion of equity among residents and a discussion on the extent to which CCRC pricing should reflect actuarial principles on a resident-by-resident basis.
Response	The reviewers believe the wording should not be prescriptive, and equity and pricing decisions vary from community to community, and made no change.
Comment	The transmittal memorandum of the exposure draft asked if the proposed standard codifies appropriate actuarial practice, and if not, how should it be changed. One commentator expressed disappointment in the content because it focused more on reformatting than attempts to codify actuarial practice evolution since 1994. Another commentator indicated the proposed standard does codify appropriate actuarial practice.
Response	The reviewers believe that the ASOP describes appropriate actuarial practice.

SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.1, Purpose	
Comment Response	One commentator suggested there be a statement about the rationale for applying actuarial techniques that includes more than just prepayment of health care. The reason should state that it is due to the existence of advance fees which represent a prepayment of some costs be they health care or shelter, and funding of this prepayment using advance fees depends on estimates of the resident's longevity which is the purpose of actuarial projections. The reviewers believe that such a comment belongs in the background section of appendix 1, and that the background section is sufficiently general to cover the reasons included in the comment.
Section 1.2, Scope	
Comment Response	One commentator suggested that the business context for this ASOP be indicated as well as who requires the actuarial services and why. The reviewers believe that the current wording adequately indicates who potential users are and the various uses of the actuarial analysis, and made no change.
Comment Response	One commentator suggested adding "financing entities" to the list of entities using the results of an actuarial communication prepared according to this ASOP. The reviewers agree and added "financing entities" to the list of potential users of an actuarial communication.
SECTION 2. DEFINITIONS	
Comment Response	One commentator suggested there be definitions for the various types of actuarial studies. The reviewers note that the examples cited in section 1.2, Scope, are adequately described and did not believe that formal definitions were needed. The reviewers added estimating the future services obligation under GAAP to the examples of services provided in section 1.2.
Comment Response	One commentator asked if mortality rate needed to be defined. The reviewers believe that mortality rate was a term that was well understood in the actuarial community and that a definition was therefore not needed.
Section 2.2, Actuarial Balance Sheet	
Comment Response	One commentator suggested there needs to be a clear distinction between an actuarial balance sheet and an accounting balance sheet. The reviewers believe that the development of the actuarial balance sheet as described in section 3.4, Actuarial Balance Sheet, is sufficiently clear in that the actuarial balance sheet is not the same as the accounting balance sheet.
Section 2.5, Cohort of New Residents	
Comment Response	Several commentators suggested revised wording in order to clarify this definition. One commentator asked if the cohort was real or hypothetical. Another commentator suggested that the definition be refined to specify the time period over which the cohort of new residents would be expected to occur. The reviewers agree that the definition needed to be clarified, and the definition was revised to indicate this was a hypothetical distribution over a specified period of time relating to assumed future residents.
Section 2.6, Continuing Care Retirement Community (CCRC)	
Comment Response	One commentator asked if some kind of guarantee wasn't an essential part of the definition of a CCRC. The reviewers note that a CCRC may or may not include a guarantee and made no change.
Section 2.9, Health Center	
Comment Response	One commentator suggested that the definition include reference to dementia care. The reviewers consider that the reference to special care is broad enough to include dementia care and made no change.

Section 2.13, Morbidity Rate	
Comment	One commentator suggested that the definition be expanded to note that a transfer to a different level of care may not require a transfer to a different living unit.
Response	The reviewers agree that this is an important clarification, but felt it was better placed in the definition for Levels of Care and modified section 2.11 accordingly.
Section 2.14, Non-Resident	
Comment	One commentator questioned how a person living in a CCRC could be "non-resident" and suggested that this term be changed.
Response	The reviewers believe the definition is clear and the distinction between resident and non-resident is an important concept in CCRC analyses, and made no change.
Section 2.17, Physical Property	
Comment	One commentator criticized this definition as going too far in restricting the meaning of words of common understanding.
Response	The reviewers consider the definition to be appropriate and made no change.
Section 2.18, Population Projection	
Comment	One commentator suggested changing the definition to add number, age and status. One commentator asked if the definition should specify the number of residents by care level expected to live.
Response	The reviewers consider the definition to be appropriate and made no change. Section 3.3, Projected Population Movements, implies that population projections are done in sufficient detail as needed by the intended use of the population projection.
Section 2.20, Resident	
Comment	One commentator questioned whether a contractholder should be considered a resident if there is no health guarantee but there is a substantial refund guarantee.
Response	The reviewers agree and revised section 2.14, Non-Resident, and section 2.20, Resident, to incorporate either a health care guarantee or a refund guarantee.
Section 2.23, Withdrawal Rate	
Comment	One commentator questioned the need for this definition.
Response	The reviewers believe that the definition is needed.
Section 2.24, Valuation Date	
Comment	One commentator suggested that "at" be changed to "as of."
Response	The reviewers agree and made the change, and a similar change was made to the first sentence of section 3.2, Determination of Satisfactory Actuarial Balance.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Introduction	
Comment	Two commentators suggested that "policy provisions" was not appropriate when dealing with CCRCs. One commentator suggested using "contract provisions" instead, while the other commentator suggested using "residency contract provisions" or "residency agreement provisions."
Response	The reviewers agree that "policy" was not appropriate and changed the reference to "residency agreement provisions," which is consistent with terminology used in section 2, Definitions.

Section 3.2, Determination of Satisfactory Actuarial Balance	
Comment	The transmittal memorandum of the exposure draft asked if requiring a CCRC to meet all three conditions for determining satisfactory actuarial balance was appropriate. One commentator supported this section as written. One commentator believes meeting all three conditions is appropriate for satisfactory actuarial balance but noted that it is not clear that the ASOP requires all three conditions be met for the CCRC to be in satisfactory actuarial balance and made a suggestion to revise the language. One commentator indicated that the concept of satisfactory actuarial balance does need to include all three criteria, but guidance should be given to provide flexibility for the actuary to provide a favorable opinion if only two of the three criteria are initially met using baseline assumptions. This has real world implications in states where regulations mandate this opinion to avoid fee adjustments to residents that are not desired or marketable. One commentator indicated that the requirement to meet all three conditions for satisfactory actuarial balance was more a matter of actuarial judgment in light of the use which the actuary anticipates will be made of his/her work than a question appropriate for legislating within the context of an ASOP. The standard should be that the actuary consider all three elements and justify in writing the basis for structuring the analysis, including actuarial balance, in the way the actuary has chosen. One commentator indicated that in the situation where a community is slightly less than 100% funded on valuation, but shows good surplus in pricing and positive cash flows, this community is not in satisfactory actuarial balance but may not be considered "impaired."
Response	The reviewers believe that the test for satisfactory actuarial balance includes meeting all three conditions and made no change. As indicated in section 4.1.2, Assignments Involving an Opinion on Satisfactory Actuarial Balance, the actuarial communication would discuss the implications of not meeting any of the three conditions, and the actuary can discuss the projected time frame for meeting all of the conditions using the baseline assumptions.
Section 3.2.1, Condition 1: Adequate Resources for Current Residents	
Comment	One commentator indicated that beginning to evaluate this condition after the community has been in operation three years is arbitrary, and targeted occupancy is not defined. The commentator suggested that an evaluation be made immediately after the close of the first fiscal year when residents have moved in, and preferably it could be based on a hypothetical census at projected full occupancy as opposed to the current census in order to minimize the impact of overhead allocation to a smaller census during fill-up. One commentator stated that in terms of time frame, it may be appropriate to provide the actuary with a defined term for describing the financial state of the facility prior to testing for satisfactory actuarial balance such as "pre-actuarial balance determination."
Response	The reviewers believe that a first evaluation of this condition is most useful after the community has achieved a stable occupancy level and once mature annual operating expenses can be determined, which typically would be after the fill-up period has been completed. The reviewers note that section 3.2.1 gives an example as to when this might occur.

Section 3.2.2, Condition 2: Adequate Fee Structure for a Cohort of New Residents	
Comment	One commentator indicated that as written the analysis does not allow for outside subsidization of the fee structure, for example, sources such as charitable donations, endowments or from other financial programs such as LTC insurance or Medicare/Medicaid. Instead, it is limited to amounts paid by the resident. These third party payments are addressed in section 3.6.2, Future Additional Fees and Third Party Payments. It also doesn't allow for consideration of additional fees.
Response	The reviewers agree with the suggestion and clarified the wording to include future additional fees and third party payments attributable to the new residents.
Section 3.2.3, Condition 3: Positive Projected Cash and Investment Balances	
Comment	The transmittal memorandum of the exposure draft asked if the proposed wording for the time period to be covered by the cash flow projection was appropriate. One commentator suggested that the minimum number of years should approximate the average remaining life expectancy of the current CCRC cohort. Another commentator suggested 10 years of stabilized operations should be reflected in the cash flow projection. So for a new community, the projection would reflect the remainder of the fill-up period plus 10 years. Another commentator indicated that it was unclear as to the value of the second sentence in the middle paragraph. In the first sentence, it states the actuary should choose a projection period based on his/her judgment. Adding a sentence to say the actuary "may" consider a minimum period is ineffective. The commentator recommended that the sentence either read as "should consider" or be eliminated. Another commentator indicated that the choice of a projection period can be a material aspect of an actuary's work. The period should be sufficient to be informative for the users of the actuary's work, especially in affecting decisions that may be made in reliance on that work, and projection periods should never be chosen to conceal deferred elements beyond the chosen period that might be material if the projection were continued further. Hence, the choice of a particular projection period is a matter of actuarial judgment, the basis for which the actuary should document in his/her actuarial communication. For instance, for the purpose of examining a CCRC, it might be decided to use the probable maximum lifespan of the youngest residents as an appropriate future projection horizon, or the actuary might deem it desirable to have a projection that spans two or three managerial generations since a change in leadership might be viewed as a material event. A specific period, whether it is 10 or 20 years, should be omitted from the ASOP in favor of a more principled approach to this question.
Response	The reviewers believe that the first sentence of the second paragraph is the key criteria and expanded that sentence to indicate that use of a longer time period should not materially affect the results and conclusions. The second sentence of the second paragraph was deleted.
Section 3.3, Projected Population Movements	
Comment	One commentator indicated that the notion of "levels of care" implies differences in care that can vary widely from one community to the next. Some communities are very effective at increasing services as needed to enable residents to stay in their independent living units. Other communities may have unfilled beds in a higher area of the community and so may move residents to a higher level before care at that level is absolutely needed. Consequently, it is important that the experience of the particular CCRC community which the actuary is concerned be a driver in any calculations. Managerial and medical decisions relating to care levels may vary widely from community to community, or even from time to time within a community. Still, the ASOP is silent on this material aspect of actuarial practice relating to CCRCs.
Response	The reviewers believe that the wording here and in section 3.8, Selection of Actuarial Assumptions, accommodates the potential variation between communities noted above, and made no change.

Section 3.6.1, Future Periodic Fees	
Comment	One commentator indicated that it may be appropriate to reference consideration of ability of the resident to pay future periodic fees and any appropriate allowance for bad debt or consideration of facility practices in the event a resident is unable to pay.
Response	The reviewers believe that the wording in section 3.9, Benevolence Funds and Financial Assistance Subsidies, which discusses the need to consider the impact of residents who do not pay the full scheduled fees, adequately addresses the issue raised and made no change.
Section 3.6.3, Physical Property for Assets Currently in Service	
Comment	One commentator asked if the cost of capital is defined.
Response	The reviewers note that the cost of capital is described in section 3.6.3 and made no change.
Comment	One commentator indicated that the use of cost of capital at the time the asset was originally put into service is not appropriate in current state of practice since the intent of imputing interest is to provide a mathematical estimate of earnings on these fixed assets. The commentator doesn't see using prior year's cost of capital as any better than current year's cost of capital. The commentator suggests that the assumption made for this value should be that the actuary may use a value consistent with the time the asset was placed in service or one based on the current economic environment.
Response	The reviewers agree with this comment and made the appropriate change.
Comment	One commentator indicated that practicing actuaries use one of two methods for defining the level of depreciation expenses for fixed assets and their corresponding current actuarial value. One method assumes level dollar depreciation expenses and the other assumes increasing dollar depreciation expenses. The two methods generate different results. In some cases, the actuarial opinion would be different depending on the depreciation method used. This can be problematic to regulators as well as to client CCRCs who switch between actuaries. It is suggested the ASOP should state which method is preferable after careful consideration of all factors.
Response	The reviewers believe this is a matter of actuarial judgment and made no change.
Section 3.6.6, Future Refunds	
Comment	One commentator questioned the actuarial treatment of refund provisions that are identical but where payment timing may vary due to legal terminology of the residency agreement such as: (a) unconditionally refundable and typically paid immediately or within 120 days after contract termination, (b) refundable contingent upon reoccupancy and the proceeds from the next resident's advance fee, or (c) refundable upon resale of resident's unit as in a cooperative contract. The issue is whether actuarially the refund liabilities should be the same for all three contract options if the intent and practice of management in regard to payment of refunds is the same for all provisions, i.e., all are paid shortly after contract termination regardless of whether the reoccupancy or resale has occurred. In other words, if three communities offered refunds based on one of the above three provisions, but make payments in the same manner, the resulting actuarial liabilities should not be different.
Response	The reviewers agree with the comment and revised the guidance to also include consideration of the CCRC's actual payment procedure for refunds.
Section 3.6.7, Value of Long-Term Debt	
Comment	One commentator suggested changing the last sentence to the following in order to provide for variable debt: "The present value of long-term debt may be different than the amount on the accounting balance sheet depending on the relationship between the discount rate and the actual or expected interest rate of the debt."
Response	The reviewers agree and changed the sentence as suggested.

Section 3.7, Cash Flow Projections	
Comment	One commentator questioned including the revenue from non-residents living at the health center. The influx of residents to the health center means eviction of non-residents and the loss of revenue needs to be considered. If hospice services will be offered on premises it will call for cost and anticipated revenue assumptions, and if not, the loss of revenue needs to be considered.
Response	The reviewers believe that it is appropriate to include the revenue from non-residents in the health center since operating expenses include the expense of beds occupied by non-residents. The projected cash flows follow the projected population movements, so as residents displace non-residents in the health center, the revenue projections automatically reflect this change.
Comment	One commentator disagreed with the inclusion of the last paragraph in this section referring to ASOP No. 7, *Analysis of Life, Health, or Property/Casualty Insurer Cash Flows*. The commentator stated that CCRC practice is so far removed from that of insurance companies that this requirement is unnecessary and bordering on irrelevant. The commentator states that there are too many differences to recommend this to actuaries practicing in the CCRC area.
Response	While the reviewers agree with the commentator about the limited applicability of ASOP No. 7 to CCRCs, the reference is appropriate because an actuary would only apply the guidance that is applicable.
Section 3.8, Selection of Actuarial Assumptions	
Comment	One commentator indicated that the description of assumptions in section 3.8 appears to focus on static assumptions and asks if the ASOP should allow for dynamic assumptions and analysis.
Response	The reviewers believe the current wording is flexible enough to allow dynamic assumptions if the actuary chooses to use them and made no change.
Comment	One commentator noted that the anticipation of withdrawal trend assumptions should be carefully thought out as such a notion is contrary to a going concern model.
Response	The reviewers agree that the withdrawal assumption, as with any assumption, should be carefully considered, but believe that a withdrawal trend is not contrary to the going concern model.
Section 3.8.2, Trend Assumptions for Fees and Expenses	
Comment	One commentator indicated that the last sentence of the second paragraph seems redundant. The commentator indicates that the first sentence of the second paragraph defines the standard, and if the actuary does not follow any standard they need to disclose and justify.
Response	The reviewers consider using a different trend assumption for the periodic fees versus the operating expenses as a significant issue and wanted there to be no ambiguity about the need to disclose such a difference, and made no change.
Comment	One commentator disagreed with the use of “trend assumptions” when referencing inflation and fee increase assumptions in this section. The commentator states that the use of the word “trend” in this context is confusing. Actuaries must make assumptions regarding future “increases” in monthly and advance fees. Such increases will be the result of decisions made by management at the CCRC and this isn’t thought of as a “trend.” Actuaries must also make assumptions regarding expense inflation. The term “inflation” is much more widely understood than “trend” in the context of future expense increases.
Response	The reviewers note that section 2.22, Trend, defines trend as applying to revenues, costs or actuarial assumptions. Therefore, the reviewers believe the current wording is appropriate and made no change.
Section 3.8.3, Investment and Discount Rate Assumptions (now Investment Rate and Discount Rate Assumptions)	
Comment	One commentator suggested that the investment rate assumptions should state that investment performance includes both earnings as well as appreciation in investment values.
Response	The reviewers consider the wording sufficiently flexible to accommodate the actuary’s judgment in developing an appropriate investment rate and made no change.

Section 3.8.5, Going-Concern Assumption	
Comment	One commentator indicated that it is presumed that the prevailing assumption should be the "going concern" model, yet the security of residents' interests in these lifetime contracts is clearly the paramount public interest issue. Residents are induced to pay large proportions of their retirement assets in expectation that they will receive lifetime care in accordance with the terms of their contracts. The "going concern" standard does not seem adequate to protect the vulnerability of residents from the specter of the financial failure of the CCRC on which they are dependent, so to the extent that those dependencies are inherent in the CCRC, an assurance of solvency on a "liquidation" basis should be interwoven with "going concern" analysis to maximize the probability that the enterprise will endure to be able to fulfill the contractual expectations of the residents for the full duration of their lives.
Response	The reviewers believe the three conditions discussed in section 3.2, Determination of Satisfactory Actuarial Balance, are the appropriate measures to evaluate the financial condition of a CCRC.
Section 3.8.6, Reasonableness of Assumptions	
Comment	One commentator indicated that the choice of assumptions is critical to the mathematical modeling which lies at the core of actuarial practice. Consequently, actuaries are expected to be proficient in showing, good judgment in the choice of assumptions, including adapting assumption sources, for example, published mortality tables, to the particulars of a specific case. Accordingly, it is desirable that, as proposed, actuaries be continuously admonished that all assumptions be reasonable under the circumstances of their use and actuaries should document in their communications the basis for their judgments that any particular set of assumptions (or any individual assumption within an assumption set) is the right choice for the particular application.
Response	The reviewers agree and consider that the wording in the ASOP supports the above comments.
Comment	The transmittal memorandum of the exposure draft asked if the proposed language asking the actuary to take into consideration the level of surplus and any margins for uncertainty included in the actuarial assumptions was appropriate. One commentator indicated that the consideration of the level of surplus and the margins for uncertainty seem appropriate. This allows the actuary to consider the impact of assumption refinement as compared to materiality of outcome. Another commentator indicated that using "margins for uncertainty" is not appropriate for setting assumptions for CCRC financial and actuarial projections. Population projections, actuarial cash flow projections, the actuarial balance sheet, and the new entrant (cohort) pricing analysis should be based on best-estimate assumptions. The commentator asks how the actuary is to determine which direction to change a particular assumption to add a "margin for uncertainty." For example, higher mortality will produce higher refund liabilities but could also produce lower health care liabilities. So, would the mortality margin be positive or negative? The use of such margins would result in confusion and problems in interpretation of the results of key actuarial analyses for CCRCs. All CCRC financial analyses should be based on best estimate assumptions with no margins added or subtracted. The mechanism for dealing with uncertainty is surplus on the actuarial balance sheet, surplus on the new entrant (cohort) pricing analysis, and positive cash flows. The existence of such surpluses and positive cash flows provides the "margins" for uncertainty. Actuaries routinely recommend that CCRCs achieve certain target levels of such surpluses. Sensitivity testing may also be performed to determine if there is adequate surplus or cash flows under particular scenarios.
Response	The reviewers believe that the current wording is flexible enough to accommodate using assumptions with or without margins together with the level of surplus available to provide for adverse fluctuations to demonstrate satisfactory actuarial balance.

Section 3.9, Benevolence Funds and Financial Assistance Subsidies	
Comment	One commentator asked what if a client is not able to provide any data relative to anticipated benevolence.
Response	The reviewers believe that the actuary should use professional judgment to reflect any anticipated benevolence based on the information that is available and disclose what, if any, level of benevolence was reflected in the analysis.
Section 3.10, For-Profit CCRCs	
Comment	The transmittal memorandum of the exposure draft asked if the addition of sections 3.9, 3.10, and 3.11 were appropriate. Two commentators responded that they were appropriate. One commentator suggested combining sections 3.10 and 3.11, Equity or Cooperative CCRCs, into a single section entitled "Ownership Considerations."
Response	The reviewers believe it is clearer to retain these two issues as separate sections and made no change.
Comment	One commentator suggested that a potential income tax liability be stated and included in the projections.
Response	The reviewers agree with the suggestion and added "potential income tax liability" to the list of issues to be considered.
Comment	One commentator indicated that the comment about capital expenditures funded by the owner is unclear. The commentator asks if this is suggesting that these shouldn't be a liability for the actuarial balance sheet and cohort pricing. If so, then they shouldn't be counted as an asset either. The commentator asks if this is suggesting they be treated as a gift.
Response	The reviewers note that ownership arrangements vary and the handling of capital expenditures may also vary. The reviewers do not believe there should be one prescribed way of handling capital expenditures in For-Profit CCRCs and this determination should be left to the actuary's professional judgment.
Section 3.11, Equity or Cooperative CCRCs	
Comment	One commentator questioned the meaning of this section. The issue in regard to a cooperative CCRC is (1) whether they should be handled as a combination of cooperative and service components in actuarial analysis or (2) whether an actuary can simply review the service component and ignore the cooperative element. It is suggested that the ASOP include a more detailed statement on the preference in regard to how this organization should be modeled in an actuarial study.
Response	The reviewers note that arrangements of equity and cooperative CCRCs vary. The reviewers do not believe there should be one prescribed way of handling these arrangements and this determination should be left to the actuary's professional judgment.
Section 3.13, External Restrictions	
Comment	One commentator suggested that the list of external sources be extended to loan covenants. Another commentator indicated that the meaning of this section is not clear. If such restrictions generate results that are not in satisfactory actuarial balance, then the actuary cannot give a positive opinion. In particular, what is anticipated by lender imposed restrictions since condition 3 only requires that cash balances be positive, and the commentator points out that lenders are likely to require a high cash balance.
Response	The reviewers believe that relevant lender-imposed restrictions should be considered and modified the language to clarify this point.

SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1.1, Actuarial Data, Assumptions, and Methods	
Comment Response	One commentator indicated that since actuaries serve generally as advisors, all communications should be sufficiently clear and candid so that any person who may rely on the actuary's work is able to examine the actuary's judgments critically to determining if they are appropriate for the intended use. This requires a high standard of documentation and requires that actuaries be able to explain their methods, assumptions, judgments and opinions in terms that non-actuaries readily follow and evaluate. Section 4 as drafted makes clear that actuaries are to document their work with exemplary completeness. However, the section omits any requirement that the actuary explain the basis for the choice of assumptions, methodologies, etc. and such explanation should be part of any complete communication. The reviewers believe that such explanation should not be required as a part of this communication and note that section 3.15, Documentation, requires the appropriate documentation, and made no change.
Comment Response	One commentator indicated that the specific listing of documentation in section 4.1.1 seems redundant with ASOP No. 41, *Actuarial Communications*. In addition, many of the items listed in section 4.1.1 may not be applicable depending on the assignment. For example, an assignment involving only a population projection would not include the items mentioned in section 4.1.1(b), (e), (f), (g), (h), and (j). The reviewers acknowledge there may be some redundancy with ASOP No. 41 but decided that since CCRC analysis involves issues that may not be familiar to all actuaries it was preferable to list the key items that should be discussed. Since the items to be included in the actuarial communication depend on the purpose of the communication, the reviewers changed the first sentence of section 4.1.1 to refer to applicable items.
Comment Response	One commentator suggested changing item 4.1.1(k) to "any material changes in assumptions or methods from the most recent prior analysis." The reviewers agree and changed the sentence as suggested.
Section 4.1.2, Results of Conditions for Satisfactory Actuarial Balance and Qualification of Opinion (now Assignments Involving an Opinion on Satisfactory Actuarial Balance)	
Comment Response	One commentator suggested changing the title of section 4.1.2 to "Assignments Regarding Opinion of Satisfactory Actuarial Balance" or something similar, in order to clarify that the section is limited in scope to specific assignments. As worded, the ASOP would require development of the three tests for any actuarial communication. The reviewers agree and changed the title for section 4.1.2 to "Assignments Involving an Opinion on Satisfactory Actuarial Balance."
Comment Response	One commentator questioned the use and implication of "or declining" in paragraph 4.1.2(c). The commentator asks over what period would the cash balances need to decline (any two consecutive years or over the total projection period). The commentator indicates that there may be situations where it may be perfectly appropriate to have slow declining balances or have temporary declines followed by a plateau. The reviewers agree that in certain circumstances declining cash and investment balances may not pose any implications, but believe the actuary should comment on the cause of the decline, and made no change.
Section 4.3, Deviation from Standard (now Deviation)	
Comment Response	One commentator indicated that section 4.3.1, Material Deviations to Comply with Applicable Law, does not address the obligation that we have as professionals to try to ensure that laws with actuarial implications are properly crafted. While the reviewers agree with the assertion that laws with actuarial implications should be properly crafted, the reviewers believe that this issue is outside of the scope of the ASOP.

Comment Response	One commentator questioned the meaning of principal in the next to last sentence of section 4.3.2, Other Material Deviations. The commentator asks if this is the principal in the actuary's own firm. The reviewers refer the commentator to section 2.7, Principal, of ASOP No. 41. Principal refers to the client or employer of the actuary, and the facts and circumstances of the situation will determine which is the principal.
	Appendix 2 (now Appendix 1)
Comment Response	The transmittal memorandum of the exposure draft asked if the material in appendix 2 was appropriate for inclusion in this ASOP. One commentator indicated that including appendix 2 was appropriate. Another commentator suggested that the material in appendix 2 was more appropriate for publication for peer review and discussion on a standalone basis. An ASOP—which may be used by a skilled trial lawyer in a deposition or trial to undermine the valid judgments of a qualified actuary—is not the best forum for such material. The reviewers note that much of this material was included in previous versions of this ASOP and that the exposure process provided ample opportunity for peer review of the material in appendix 2.
Comment Response	One commentator suggested revising the first sentence referring to "and also a significant cost to the residents of the CCRC." Residents don't typically have ownership of fixed assets, so, it is a cost of operating the CCRC. The reviewers consider the current wording appropriate and made no change.